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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 002360

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SUBJECT: ENVIRONMENTAL IMPACT ASSESSMENT IN TAIWAN--AT A
CROSSROADS

REF: TAIPEI 2302

Classified By: AIT ACTING DIRECTOR ROBERT S. WANG FOR REASONS 1.4 B/D

11. (C) SUMMARY. When the Democratic Progressive Party (DPP) assumed power in 2000, its platform included a strong commitment to protecting the environment. This commitment has over the years been diluted by the way environmental policy has been interpreted, especially in view of the way the Environmental Impact Assessment (EIA) process in Taiwan has been conducted. The EIA process is in a critical stage, with its constituency weakened in the face of continued interference from within the Taiwan Environmental Protection Agency (TEPA) and private interests who wish to torpedo the process. Three major infrastructure projects being pushed by the administration, the Suao Expressway, the 8th naphtha cracker plant and a steel plant in Yungling County, have a potentially significant impact on the environment in terms of water use and CO2 emissions. The EIA committee has not been able to reach consensus on these major development projects. The committee's pro-environment members have been sidelined and replaced by more pragmatic members and its powers are being chipped away by private interests to the point that it may eventually become a talking forum with little influence on Taiwan's environmental policy. TEPA, pressured by the need to advance the industrial development policy of the DPP administration, appears to be doing the bidding of the authorities rather than taking a leadership role as custodian of the environment. END SUMMARY

EIA PROCESS: LACK OF TRANSPARENCY

12. (C) Soon after assuming his new position in June 2007, Winston Dang, the new TEPA Minister, indicated that one of his top priorities was a thorough review of the Environmental Impact Assessment (EIA) process, which had become stalled under his predecessor. Taiwan's EIA law was passed in 1994, and requires an EIA on any development project that could have a substantial impact on the environment. 21 members comprise the EIA committee of which 7 are ministers and the remaining 14 experts and scholars from the private sector. The law's original aim was to ensure that the public domain was protected by providing a forum for officials and private interests to discuss the merits of a project. Although the EIA committee has the power to turn down a project, in practice, legislators and policy makers have seen fit to overturn the EIA's recommendations. More often, projects are simply allowed to stall with no solution in sight. This process seems to be taking place with the three major infrastructure projects currently under consideration. According to EIA member Kuo Hong-yu, since the law's inception, public participation has not started from the

beginning of a project, but rather at midstream when decisions to build have already been made. Since Dang took charge of TEPA, EIA meetings have been off-limits to the press, raising suspicions that TEPA is manipulating the process for its own benefit.

THREE MAJOR PROJECTS: STALLED, STALLED, STALLED

13. (SBU) TEPA is currently reviewing three major infrastructure projects: the Kuokuang Naphtha Cracker Plant and the Formosa Steel Plant, both in Yunling County, and the Suao expressway. ESTH officer met with Roy Chiu, President of the Kuokuang Petrochemicals Technology Corp., a joint venture between Chinese Petroleum Corporation (CPC) and private investors, which is building the naphtha cracker plant. Chiu said the plant is to be located in western Taiwan, 150 km south of Taipei and about 500 nautical miles from Shanghai. It is composed of a refinery, plus a naphtha cracker facility, an aromatics complex, and a petrochemicals unit with a total investment of NT\$550 billion (\$16 billion). Adjacent to the complex will be a harbor to permit the shipment of refined products. Chiu, who is pro-development, claims the cracker plant and refinery will provide 30,000 jobs and additional 90,000 to satellite industries in surrounding areas, but its current status is on hold, pending a final EIA review. An EIA committee member told AIT that the MOEA may consider moving the site of the plant from Yunling County to Changhua County, where there is less objection to the plant at the county level. To operate the plant, 330 cubic km per day of water is required, supplied from a neighboring reservoir, as well as 540 MW of electricity. The huge amount of water needed for cooling

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purposes, and the attendant CO2 emission levels, are believed to be the main reason an EIA approval is pending.

14. (SBU) In a similar vein, the EIA committee met in late September on the Formosa Plastics (FP) Steel Plant project in Mailiao, Yunling County. The plant is located next to FP's petrochemical complex, with an annual production capacity of 7.5 million tons of steel, and will provide 3,000 jobs for the less-developed county. Taiwan imports about 10 million tons of steel a year. Issues surrounding this development are whether the plant will adversely affect the humpback dolphin (*Sousa Chinensis*), water use, and CO2 emissions. Before project review, FP objected to the presence of five sitting commissioners, claiming that they were against the project. TEPA agreed to disqualify these five from the October 1 final review. No public announcement of the meeting was published, although the press reported that a special task force was set up to review the project. TEPA Minister Dang, at the end of the meeting, decided that a conclusion had yet to be reached, since some EIA members questioned the validity of the voting process, alleging that TEPA was rubber-stamping development projects.

15. (SBU) The Suao expressway project has generated the most controversy since planning began in 1998. Running parallel to the existing coastal highway, it is supposed to alleviate the congestion of the coastal road and provide a rapid means of connecting east coast cities with the rest of Taiwan. Environmentalists consider it totally unnecessary, and a threat to the ecosystem on Taiwan's scenic east coast. It consists of a 89km long expressway, of which 70 km will be in tunnels and bridges and is projected to cost 2 trillion NT (\$6 billion USD). Once the expressway is built, environmentalists claim, occupancy rates at hotels on the eastern shore will drop drastically, and "bed and breakfast" facilities will suffer even more as travel to the east coast will no longer be an overnight trip. Experts are making comparisons with the already-completed Shueishan Tunnel expressway connecting Taipei with Ilan, which has speeded travel to the east coast but also contributed to a drop in

hotel and B&B business in the area. In the wake of typhoon Krosa (reftel), local politicians have called on the authorities to complete the section of road from inland Chongte to coastal Suao, which covers the least controversial segment of the Suao expressway. By doing so, they hope to avoid the perennial landslides associated with typhoons and earthquakes that have shut the road in the past. Since the project was first approved in 2000, construction was delayed, and now a new EIA is required. Currently the EIA committee is reviewing new information in view of changed circumstances and has not yet reached a decision.

EIA COMMISSIONERS: A RUBBER STAMP COMMITTEE ?

16. (C) ESTH officer met with current EIA Committee member Kuo Hong-yu and former member Robin Winkler (a naturalized Taiwan citizen) to get a better feel for where the EIA process is headed. Kuo said he is a long-term committee member who is more concerned about the environment than some of the newly-appointed members. He stated that the EIA committee sent in recommendations on 27 projects, but had heard nothing from TEPA. As public stewards of the environment, he said, EIA committee members are afraid to voice their real opinions during committee reviews. Kuo said five former EIA commissioners who vocally opposed the new projects, were gradually nudged out by TEPA, and their terms were not renewed. According to Kuo, one of the holdovers from the old group, the newcomers are unfamiliar with past environmental reviews and are likely to toe the official line. Kuo believes if current trends continue, the EIA process could become a rubber stamp for the government. Another member of the EIA, Lee Chin-di was a little more optimistic about TEPA and the EIA process. Lee said the current group is balanced between diehard conservationists and pragmatists who supported environmentally conscious development. Lee thinks that under former TEPA chief Chang Kow-lung, the conservationists held a majority of the EIA committee and contributed to the stalling of major projects. He asserted that the new EIA committee could reverse that trend, because committee members are less wedded to the idea of a green Taiwan and more interested in moving ahead with high-tech industrial projects that will help maintain Taiwan's industrial competitiveness.

COMMENT

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17. (C) Bowing to economic development pressures, the new leadership at TEPA has taken a more pragmatic approach to environmental impact assessments, as opposed to the more ideological stance taken previously. While this pragmatism is focusing more on cost/benefit analysis at the expense of strictly environmental factors, in order to get stalled projects moving again, open debate and transparency have suffered. Closed EIA sessions and internal maneuvering within TEPA are the norm in a TEPA previously known for its public accessibility. Although developers are pleased with this trend, environmentalists find that TEPA has become less tolerant of those who oppose major projects on environmental grounds. Missing is a thorough review of the EIA process to find out where adjustments need to be made. The need for economic development seems to be driving environmental policy, as Taiwan policy makers realize they need to move away from plastics production and expand into carbon fibers, fiber optics and other high-tech products. Naphtha cracker plants and refineries can help Taiwan reach those development goals, and by speeding their construction, the beleaguered DPP establishment can claim that it is helping move Taiwan into the high-tech realm and boost its economy. The development versus environment debate is likely to continue, but it will increasingly be off-limits to the public and raise doubts about whether or not TEPA is properly managing

Taiwan's environment.

WANG